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## Mexico

## Dairy and Products

## Annual

## 2001

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### Report Highlights:

Mexico is expected to continue as one of the most important markets for U.S. dairy products, given its NAFTA schedule for reducing and/or eliminating tariffs, coupled with projections for population and income growth. Worldwide exports of dairy products to Mexico were valued at approximately US\$548 million in 2000, and the U.S. share of those exports was approximately 30 percent.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Mexico [MX1], MX

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## **SECTION I. SITUATION AND OUTLOOK**

**Dairy Situation and Outlook:** For MY2001, Mexico's production of fluid milk remains unchanged from our earlier estimate, regardless of increasing production costs which have out paced producer prices. Improved technology in Mexico's largest dairies has enabled increased production per cow. This increase has offset lower output from medium and small sized dairies which have been facing financial problems caused by the tight and expensive credit conditions from Mexico's financial institutions. For MY2002, fluid milk production is forecast to increase by 2.0 percent over the previous year's production. This expected increase is also fueled by the continued use of innovative technology in Mexico's largest dairies.

The MY2001 import estimate for non-fat dry milk (NFDM) remains unchanged from our previous estimate based on current demand and use by private processors. The Mexican government's social program (LICONSA) will continue to supply the same quantity of subsidized rehydrated milk to low income classes as in MY2000. For MY2002, imports of NFDM are forecast to increase 4.1 percent over the previous year's imports due to an expected increase in demand fueled by the general population growth and the rising demand from private processors.

The estimates of cheese, butter and butterfat imports for MY2001 are revised upward following the increase in the pace of cheese imports during the past two years, the market is expected to continue its growth patterns with some reservations as the economy struggles to pick up steam from its current status. At the same time, barriers to cheese imports have dropped considerably under NAFTA. U.S. cheese will enter Mexico duty-free by the year 2003, while other third-country suppliers will face tariff rates of about 20 percent. The outlook for butter is not as positive. As the lower income population in Mexico becomes more price and health conscience, a shift to the use of margarine is expected to occur in the short and medium terms. Butterfat will continue with slight increases each year as LICONSA will need to continue importing to satisfy the demand from its social programs.

## **SECTION II. STATISTICAL TABLES**

**PS&D Dairy, Milk, Fluid**

(1000 Metric Tons)

<b>PSD Table</b>						
Country:	<b>Mexico</b>					
Commodity:	<b>Dairy, Milk, Fluid</b>					
	2000		2001		2002	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2000		01/2001		01/2002	
Cows In Milk	6800	6800	6800	6800		6800
Cows Milk Production	9305	9305	9485	9485		9675
Other Milk Production	130	132	130	130		135
TOTAL Production	9435	9437	9615	9615		9810
Intra EC Imports	0	0	0	0		0
Other Imports	20	44	20	20		20
TOTAL Imports	20	44	20	20		20
<b>TOTAL SUPPLY</b>	9455	9481	9635	9635		9830
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Fluid Use Dom. Consum.	3915	3915	4038	4038		4060
Factory Use Consum.	5540	5566	5597	5597		5770
Feed Use Dom. Consum.	0	0	0	0		0
TOTAL Dom. Consumption	9455	9481	9635	9635		9830
<b>TOTAL DISTRIBUTION</b>	9455	9481	9635	9635		9830

**PS&D Dairy, Cheese**

(1000 Metric Tons)

<b>PSD Table</b>						
<b>Country:</b>	<b>Mexico</b>					
<b>Commodity:</b>	<b>Dairy, Cheese</b>					
	2000		2001		2002	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2000		01/2001		01/2002	
Beginning Stocks	0	0	0	0		0
Production	122	134	137	140		145
Intra EC Imports	0	0	0	0		0
Other Imports	45	54	47	55		60
TOTAL Imports	45	54	47	55		60
<b>TOTAL SUPPLY</b>	167	188	184	195		205
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Human Dom. Consumption	167	188	184	195		205
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	167	188	184	195		205
TOTAL Use	167	188	184	195		205
Ending Stocks	0	0	0	0		0
<b>TOTAL DISTRIBUTION</b>	167	188	184	195		205

**PS&D Dairy, Butter**

(1000 Metric Tons)

<b>PSD Table</b>						
<b>Country:</b>	<b>Mexico</b>					
<b>Commodity:</b>	<b>Dairy, Butter</b>					
	2000		2001		2002	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2000		01/2001		01/2002	
Beginning Stocks	0	0	0	0		0
Production	18	15	20	16		17
Intra EC Imports	0	0	0	0		0
Other Imports	31	34	25	35		35
TOTAL Imports	31	34	25	35		35
<b>TOTAL SUPPLY</b>	49	49	45	51		52
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Domestic Consumption	49	49	45	51		52
TOTAL Use	49	49	45	51		52
Ending Stocks	0	0	0	0		0
<b>TOTAL DISTRIBUTION</b>	49	49	45	51		52

Note: Above data includes butter and butterfat.

**PS&D Dairy, Milk, Nonfat Dry**

(1000 Metric Tons)

<b>PSD Table</b>						
<b>Country:</b>	<b>Mexico</b>					
<b>Commodity:</b>	<b>Dairy, Milk, Nonfat Dry</b>					
	2000		2001		2002	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2000		01/2001		01/2002	
Beginning Stocks	49	49	44	44		29
Production	140	151	140	140		150
Intra EC Imports	0	0	0	0		0
Other Imports	127	117	120	120		125
TOTAL Imports	127	117	120	120		125
<b>TOTAL SUPPLY</b>	316	317	304	304		304
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Human Dom. Consumption	272	273	275	275		277
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	272	273	275	275		277
TOTAL Use	272	273	275	275		277
Ending Stocks	44	44	29	29		27
<b>TOTAL DISTRIBUTION</b>	316	317	304	304		304

**PS&D Dairy, Dry Whole Milk Powder**

(1000 Metric Tons)



PSD Table						
Country:	Mexico					
Commodity:	Dairy, Dry Whole Milk Powder					
	2000		2001		2002	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2000		01/2001		01/2002	
Beginning Stocks	0	0	0	0		0
Production	0	0	0	0		0
Intra EC Imports	0	0	0	0		0
Other Imports	31	31	30	30		30
TOTAL Imports	31	31	30	30		30
<b>TOTAL SUPPLY</b>	31	31	30	30		30
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Human Dom. Consumption	31	31	30	30		30
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	31	31	30	30		30
TOTAL Use	31	31	30	30		30
Ending Stocks	0	0	0	0		0
<b>TOTAL DISTRIBUTION</b>	31	31	30	30		30

PRODUCTION OF FLUID MILK BY STATE  
(000 LITERS)

STATES	2000	2001*
AGUASCALIENTES	390,527	215,780
BAJA CALIFORNIA	241,076	127,821
BAJA CALIFORNIA SUR	33,440	19,169
CAMPECHE	18,846	9,880
COAHUILA	863,751	493,668
COLIMA	36,084	10,626
CHIAPAS	306,843	111,647
CHIHUAHUA	735,251	350,627
MEXICO CITY	19,110	7,595
DURANGO	897,127	451,816
GUANAJUATO	629,292	334,526
GUERRERO	80,980	31,655
HIDALGO	376,837	203,432
JALISCO	1,678,196	792,004
MEXICO	468,953	179,353
MICHOACAN	308,621	135,695
MORELOS	16,476	7,647
NAYARIT	85,882	29,723
NUEVO LEON	39,072	20,135
OAXACA	140,821	53,204
PUEBLA	354,869	179,917
QUERETARO	186,804	100,156
QUINTANA ROO	2,597	1,996
SAN LUIS POTOSI	160,044	65,014
SINALOA	95,684	53,694
SONORA	108,072	66,667
TABASCO	85,754	41,279
TAMAULIPAS	25,172	11,182
TLAXCALA	107,716	49,777
VERACRUZ	654,832	253,967
YUCATAN	12,938	4,606
ZACATECAS	143,312	69,491
TOTAL	9,304,979	4,483,749

SOURCE: Agriculture Secretariat (SAGARPA)

\* SAGARPA's preliminary figures for January to June, 2001

#### MEXICO'S MONTHLY FLUID MILK PRODUCTION (000 LITERS)

MONTH	2000	2001*	% Change
JANUARY	669,833	722,890	7.92
FEBRUARY	709,285	714,747	0.77
MARCH	723,933	727,985	0.55
APRIL	719,132	721,511	0.33
MAY	733,767	906,512	23.5
JUNE	763,488	947,164	24.0
JULY	856,761	n/a	n/a
AUGUST	888,459	n/a	n/a
SEPTEMBER	970,136	n/a	n/a
OCTOBER	871,636	n/a	n/a
NOVEMBER	760,023	n/a	n/a
DECEMBER	638,526	n/a	n/a
TOTAL	9,304,979	n/a	n/a

SOURCE: Agriculture Secretariat (SAGARPA)

\* SAGARPA's preliminary figures for January to June, 2001

AVERAGE MILK PRICE PAID TO PRODUCERS IN MEXICO BY STATE  
(PESOS PER LITER)

Month	2000	2001*	Var.%
January	2.75	2.80	1.81
February	2.81	2.97	5.69
March	2.76	3.05	10.5
April	2.79	3.00	7.52
May	2.78	3.03	8.9
June	2.74	2.98	8.7
July	2.71	n/a	n/a
August	2.72	n/a	n/a
September	2.79	n/a	n/a
October	2.78	n/a	n/a
November	2.76	n/a	n/a
December	2.75	n/a	n/a
NATIONAL AVERAGE	2.76	n/a	n/a

SOURCE: Agriculture Secretariat (SAGARPA)

\*SAGARPA's preliminary figures are for January to June, 2001

#### MEXICO'S DAIRY PRODUCT IMPORTS

Tariff No. Commodity & Country of Origin	2000		2001*	
	Value	Volume	Value	Volume
0401.10.01 Milk & cream not exceeding 1% fat in hermetically sealed containers(Lts.)				
U.S.	526,042	1,025,280	315,222	583,786
Others	0	0	39,625	10,835
Total	526,042	1,025,280	354,847	594,621
0401.10.99 Other milk and cream not exceeding 1% (Lts.)				
U.S.	0	0	0	0
Others	0	0	0	0
Total	0	0	0	0
0401.20.01 Milk & cream from 1 to 6% Fat in hermetically sealed Containers (Lts.)				
U.S.	5,266,286	7,182,764	2,671,734	4,978,678
Others	6,824,304	19,558,044	736,451	1,523,280
Total	12,090,590	26,740,808	3,408,185	6,501,958
0401.20.99 Other milk & cream between 1 and 6% fat (Lts.)				
U.S.	2,171,176	7,182,764	388,631	1,158,115
Others	0	0	0	0
Total	2,176,176	7,182,764	388,631	1,158,115
0401.30.01 Milk & cream exceeding 6% fat in hermetically sealed containers (Lts.)				
U.S.	3,514,481	6,672,702	1,844,724	3,168,674
Others	148,228	73,841	92,237	46,014
Total	3,662,709	6,746,543	1,936,961	3,214,688
0401.30.99 Other milk & cream exceeding 6% (Lts.)				
U.S.	3,521,933	2,235,717	2,232,587	1,155,932
Others	57,767	41,844	23,565	12,068
Total	3,579,700	2,277,561	2,256,152	1,168,000
0402.10.01 Milk powder not exceeding 1.5% fat (Kgs.)				
U.S.	57,673,500	32,172,024	26,729,560	11,794,721
Others	170,985,900	95,243,713	83,430,640	36,874,712
Total	228,659,400	127,415,737	110,160,200	48,669,433
0402.10.99 Other milk powder not exceeding 1.5% fat (Kgs.)				
U.S.	446	134	1,596	399
Others	4,429,279	1,662,483	2,001,168	562,636
Total	4,429,725	1,662,617	2,002,764	563,035

0402.21.01				
Milk powder exceeding 1.5% fat (Kgs.)				
U.S.	3,034,440	1,834,610	95,916	40,830
Others	52,294,240	29,375,413	34,108,554	15,600,240
Total	55,328,680	31,210,023	34,204,470	15,641,070
0402.21.99				
Other milk powder exceeding 1.5% fat (Kgs.)				
U.S.	19,256	6,328	45,755	10,206
Others	6,157,403	2,276,166	1,785,887	543,290
Total	6,167,659	2,282,494	1,831,642	553,496
0402.29.99				
Other milk powder (Kgs.)				
U.S.	351,970	118,059	160,329	59,397
Others	15	10	0	0
Total	351,985	118,069	160,329	59,397
0402.91.01				
Evaporated milk (Kgs.)				
U.S.	363,431	305,960	232,759	189,865
Others	0	0	0	0
Total	363,431	306,960	232,759	189,865
0402.91.99				
Other evaporated milk (Kgs.)				
U.S.	1,028	67	969	2,142
Others	0	0	0	0
Total	1,028	67	969	2,142
0402.99.01				
Other evaporated milk (kgs.)				
U.S.	109,927	54,703	67,840	34,890
Others	6,197,807	5,606,699	24,744	17,021
Total	6,307,734	5,661,402	92,584	51,911
0402.99.99				
Other condensed milk (Kgs.)				
U.S.	109,207	86,595	77,048	53,469
Others	0	0	96,542	59,870
Total	109,207	86,595	173,590	113,339
0406.10.01				
Fresh Cheese (Kgs.)				
U.S.	3,259,506	1,302,091	3,654,005	1,551,030
Others	83,733	28,491	136,396	58,396
Total	3,343,239	1,330,582	3,790,401	58,396
0406.20.01				
Powdered grated cheese (Kgs.)				
U.S.	17,914,020	7,292,056	12,579,380	3,874,577
Others	737,910	712,955	129,210	38,672
Total	18,651,930	8,005,011	12,708,590	3,913,249

0406.30.01				
Processed cheese (Kgs.)				
U.S.	180,959	152,031	407,302	293,474
Others	105,755	18,860	9,681	2,722
Total	286,714	170,891	416,983	296,196
0406.30.99				
Other processed cheese (Kgs.)				
U.S.	692,035	430,369	122,003	50,089
Others	1,851,438	455,058	347,124	79,910
Total	2,543,473	885,427	469,127	129,999
0406.40.01				
Blue cheese (Kgs.)				
U.S.	171,230	24,639	72,394	11,683
Others	1,303,365	305,962	145,214	19,393
Total	1,474,595	330,601	217,608	31,076
0406.90.01				
Sardo cheese (Kgs.)				
U.S.	1,501	245	0	0
Others	4,682	537	0	0
Total	6,183	782	0	0
0406.90.02				
Reggiano cheese (Kgs.)				
U.S.	3,282	199	3,205	207
Others	1,973,761	519,383	325,465	72,368
Total	1,977,043	519,582	328,670	72,575
0406.90.03				
Colonia cheese (Kgs.)				
U.S.	217,669	66,655	47,709	11,569
Others	1,837,613	655,539	941,222	355,939
Total	2,055,282	722,194	988,931	367,508
0406.90.04				
Various hard & semi-hard cheeses (Kgs.)				
U.S.	780,023	241,075	408,232	157,769
Others	59,649,917	28,052,292	29,705,998	12,681,347
Total	60,429,940	28,293,367	30,114,230	12,839,116
0406.90.06				
Egmont, maximum moisture 40%, fat 45% minimum, salt 3.9% (Kgs.)				
U.S.	0	0	0	0
Others	2,864,391	1,413,780	789,815	361,600
Total	2,864	1,414	789,815	361,600
0406.90.99				
Other cheeses (Kgs.)				
U.S.	223,885,60	79,469,16	9,857,070	3,164,797
Others	12,802,240	4,542,849	5,143,510	1,733,458

Total	35,190,800	12,489,765	15,000,580	4,898,255
0405.10.01 Butter in packages less than 1 kg. (Kgs.)				
U.S.	410872	96741	234,251	54,630
Others	634683	261629	258,248	115,710
Total	1,045,555	358,370	492,499	170,340
0405.10.99 Other butter (Kgs.)				
U.S.	503908	172444	224,129	63,291
Others	1060326	690560	1,505,983	970,940
Total	1,564,234	863,004	1,730,112	1,034,231
0405.20.01 Dairy Spreads (Kgs.)				
U.S.	2,136	816	885	327
Others	0	0	3,424	1,000
Total	2,136	816	4,309	1,327
0405.90.01 Butter Fat, Dehydrated (Kgs.)				
U.S.	3,016,314	1,713,500	88,104	51,732
Others	52,420,786	31,018,156	16,489,886	9,650,746
Total	55,437,100	32,731,656	16,577,990	9,702,478
0405.90.99 Butter fat, dehydrated (Kgs.)				
U.S.	188,254	123,951	14,885	2,925
Others	49	6	499,984	319,995
Total	188,303	123,957	514,869	322,920
0403.10.01 Yoghurt (Kgs.)				
U.S.	1,332,843	868,382	638,558	378,592
Others	947,326	102,484	234,739	27,607
Total	2,280,169	970,866	873,297	406,199
0403.90.99 Other milk whey (Kgs.)				
U.S.	3,182,423	1,669,338	1,612,504	915,879
Others	15,663,027	9,418,369	6,180,675	2,989,274
Total	18,845,450	11,087,707	7,793,179	3,905,153
0404.10.01 Whey, sweetened or not, nor concentrated (Kgs.)				
U.S.	18,876,880	37,437,851	8,982,033	16,571,620
Others	6,693,000	6,363,098	2,277,907	1,974,400
Total	25,569,880	43,800,949	11,259,940	18,546,020
0404.10.99 Whey, Others				
U.S.	11,165,160	11,194,784	5,723,846	4,833,886
Others	87,410	35,702	22,706	5,300



Total	11,252,570	11,230,486	5,746,552	4,839,186
0404.90.99 Other wheys (Kgs.)				
U.S.	731,561	365,434	169,546	114,723
Others	1,037,129	418,889	176,664	63,000
Total	1,768,690	847,323	346,210	177,723
2105.00.01 Ice cream and similar products (Kgs.)				
U.S.	14,241,940	9,348,464	5,951,501	3,884,575
Others	4,888,550	2,015,410	3,878,401	1,532,999
Total	19,130,490	11,363,874	9,829,902	5,417,574

SOURCE: World Trade Atlas, Mexico Edition, December 2000

NOTE: Value is in U.S. dollars and volume is in liters or kilograms as indicated following each product description.

\* As of May 2001

#### MEXICO'S DAIRY PRODUCT EXPORTS

Tariff No. Commodity & Country of Origin	2000		2001	
	Value	Volume	Value	Volume

0401.10.01 Milk & cream with less than 1% fat				
U.S.	36,576	12,106	160	116
Others	63,012	94,428	14,325	20,100
Total	99,588	106,534	14,485	20,216
0401.20.01 Milk & cream from 1 to 6% Fat in hermetically sealed Containers (Lts.)				
U.S.	2,119	2,998	288	178
Others	48,576	117,226	8,892	32,400
Total	50,695	120,224	9,180	32,578
0401.30.01 Milk & cream exceeding 6% fat in hermetically sealed container Lts.				
U.S.	146,563	64,160	43,263	10,076
Others	45,851	158,582	11,257	40,872
Total	192,414	222,742	54,520	50,948
0402.10.01 Milk powder less than 1.5% fat (Kgs.)				
U.S.	663,447	153,808	216,367	43,375
Others	501,303	211,535	515,644	150,972
Total	1,164,750	365,343,221	732,011	194,347
0402.21.01 Milk powder exceeding 1.5% fat (Kgs.)				
U.S.	3,296,235	935,925	491,635	135,130
Others	30,773,435	10,562,838	2,195,326	739,158
Total	34,069,670	11,498,763	2,686,961	874,288
0402.29.99 Other milk powder (Kgs.)				
U.S.	456,606	127,091	44,662	14,268
Others	21,737	1,050	10,800,778	3,459,078
Total	478,343	128,141	10,845,440	3,473,346
0402.91.01 Evaporated milk (Kgs.)				
U.S.	1,552,790	868,566	152,899	89,535
Others	20,466	13,327	27,823	25,324
Total	1,573,256	88,189,330	180,722	114,859
0402.99.01 Condensed milk (Kgs.)				
U.S.	3,487,429	2,248,579	319,961	183,536
Others	1,044,109	704,297	1,840,048	1,449,592
Total	4,531,538	2,952,876	2,160,009	1,633,128
0406.10.01 Fresh cheese (Kgs.)				
U.S.	176,908	112,602	53,019	78,707
Others	370	191	36	55
Total	177,278	112,793	53,055	78,762

0406.20.01				
Powdered grated cheese (Kgs.)				
U.S.	5,184	576	0	0
Others	23,407	8,057	0	0
Total	28,591	8,633	0	0
0406.30.01				
Processed cheese (Kgs.)				
U.S.	108,288	38,826	4,095	809
Others	223,335	68,292	102,342	30,510
Total	331,623	107,118	106,437	31,319
0406.90.99				
Other cheeses (Kgs.)				
U.S.	679,411	234,117	649,066	154,404
Others	130,291	38,884	37,323	8,221
Total	809,702	273,001	686,389	162,625
0405.10.01				
Butter in packages less than 1 kg. (Kgs.)				
U.S.	1,583	175	28,372	10,886
Others	144,859	58,198	2,419	645
Total	146,442	58,373	30,791	11,531
0405.20.01				
Dairy Spreads (Kgs.)				
U.S.	1,148	150	0	0
Others	340	20	0	0
Total	1,488	1,700	0	0
0405.90.99				
Butter fat, dehydrated (Kgs.)				
U.S.	2,170	1,026	4,520	1,650
Others	2,000	1,000	17,896	10,080
Total	4,170	2,026	22,416	11,730
0403.10.01				
Yoghurt (Kgs.)				
U.S.	12,389	10,253	49,660	45,106
Others	271,154	192,714	139,668	94,489
Total	283,543	202,967	189,328	139,595
0403.90.99				
Other milk whey (Kgs.)				
U.S.	579,820	196,961	262,669	147,260
Others	204,724	33,271	28,225	11,607
Total	784,544	230,232	290,894	158,867
0404.10.01				
Whey, sweetened or not, nor concentrated (Kgs.)				
U.S.	147,332	226,989	23,080	40,100
Others	223,901	270,371	45,867	55,161
Total	371,233	497,360	77,947	95,261

0404.90.99				
Whey, Others				
U.S.	20,844	10,314	27,884	7,604
Others	144	153	0	0
Total	20,988	10,467	27,884	7,604
2105.00.01				
Ice cream and similar products (Kgs.)				
U.S.	1,817,681	838,851	406,417	980,912
Others	1,373,924	821,081	823,078	534,554
Total	3,191,605	1,659,932	1,229,495	1,515,466

SOURCE: World Trade Atlas, Mexico Edition, December 2000

NOTE: Value is in U.S. dollars and volume is in liters or kilograms as indicated following each product description.

\*As of May 2001

### SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

#### FLUID MILK

##### Production

According to official figures issued by the Secretariat of Agriculture, Livestock, Rural Development, Fishing and Foods (SAGARPA), production of raw milk in Mexico has grown steadily for the past several years at a slightly higher growth rate than the country's population. For MY2000, SAGARPA shows milk production reaching 9.437 billion liters, a growth rate of 4.7 percent from the previous year. For MY2001, however, SAGARPA and the Mexican Dairy Association estimate that production may reach 9.615 billion liters, for a marginal increase of 1.8 percent relative to MY2000.

The MY2002 forecast for Mexico's fluid milk production is expected to reach 9.810 billion liters representing an increase of 2.0 percent over last year's estimated production. This expected increase is fueled by improved dairy production techniques and the increasing demand from Mexico's private processors. Due to updated information from the Mexican Dairy Association and SAGARPA, our estimate for MY2001 remains unchanged from our previous estimate. The production estimate for MY2000 is revised slightly upward to reflect final data from the Mexican Dairy Association and government data.

### Consumption

Fluid milk consumption for MY2002 is forecast to increase by 2.0 percent above our estimate for the previous year as private processors are expected to increase their requirements to satisfy the expected increase in demand fueled by the general population growth. The consumption estimate for MY2001 remains unchanged from our previous estimate. Consumption in MY2000 is revised slightly upward from our previous estimate to reflect final information from the Mexican Dairy Association and government data.

### Trade

The fluid milk import forecast for MY2002 remains unchanged from the previous year's estimate. Most of the imports, for logistical reasons, continue to go to the border cities of northern Mexico and as in previous years, consumption in these areas is expected to remain steady. Fluid milk imports for MY2000 are revised upward, considerably, due to a special one-time purchase of condensed milk by Nestlé in Mexico from Nestlé affiliates worldwide. According to Nestlé Mexico, this purchase was made to reduce excess stock at other Nestlé locations, especially Nestlé Chile.

### Policy

See dairy products policy section at the end of this report.

## CHEESE

### Production

Mexican cheese production for MY2002 is forecast at 3.6 percent over the previous year's revised estimate due to the expected increase of fluid milk supplies coupled with the expected increase in consumption from fast food restaurants, such as pizzerias, and from the middle and

upper income level of the population. The estimated cheese production figure for MY2001 is also revised upward from our previous estimate due to more fluid milk availability and increased demand by the upper and middle income level consumers. For MY2000, our production estimate is revised slightly upward to reflect final data from the Mexican Dairy Association and government.

### Consumption

For MY2002, cheese consumption is forecast at 5.1 percent over the previous year's revised estimate due to an expected increase in demand fueled by attractive prices and readily available variety of product. The cheese consumption estimate for MY2001 is revised upward by 5.9 percent from our previous estimate, due also, to an expected increase in consumption from fast food restaurants, such as pizzerias, and from the middle and upper income level of the population. Much for the same reason as in MY2001 the consumption for MY2000 is revised upward by 12.5 percent and is reflected in the final data from the Mexican Dairy Association and government.

### Trade

The cheese import forecast for MY2002 is expected to reach 60,000 MT or 9.0 percent over the previous year's revised estimate due to an expected increase in demand for variety cheeses and cheese products from the middle and upper income level population. The MY2001 import estimate is revised upward reflecting the expected increase in demand from the middle and upper income level sectors during the upcoming holiday season. For MY2000, imports are revised upward to reflect final data from the National Dairy Association and government. Barriers to cheese imports have dropped significantly under NAFTA, and by the year 2003 U.S. cheese will enter Mexico duty-free versus a rate of 20 percent for cheeses from Europe, Australia and New Zealand.

### Policy

See dairy products policy section at the end of this report.

## BUTTER

### Production

Butter and butter fat production for MY2002 is forecast upward from the previous year's revised estimate. Said increase is fueled in part, by the expected increase in supplies of fluid milk and the pressure from milk producers on the domestic industry to consume more milk in their processing activities instead of resorting to imports. Production estimate for MY2001 is revised downward to reflect increased imports at competitive prices. Production for MY2000 is revised downward to reflect final data from Mexican Dairy Association and government.

### Consumption

Butter consumption for MY2002 is forecast upward from our previous estimate as usage from the bakery and confectionary industries and the population in general is expected to slightly increase. For MY2001, the consumption estimate is revised upward from our previous estimate due to improved consumer demand for butter and for products containing butter such as bakery goods. Also, LICONSA's social program will continue using increased amounts of butter fat when reconstituting milk for the lower level income population. For MY2000, the consumption estimate remains unchanged reflecting final government data.

#### Trade

Butter imports for MY2002 are forecast to remain unchanged from the previous year's revised estimate fueled in part, by the expected increase in supplies of fluid milk and the pressure from milk producers on the domestic industry to consume more milk in their processing activities instead of resorting to imports. For MY2001, imports are revised sharply upward due to competitive prices obtained for external supplies and the reduction in domestic production. For MY2000, imports are revised upward to reflect final government data.

#### Stocks

Stocks for MY2002 are expected to be non-existent as they were for MY2001 and MY2000. Most butter is processed by industry and LICONSA for reconstituting milk powder, which is then sold at subsidized prices under the government's social program to primary schools and the poor through special sales outlets located in cities throughout the country.

#### Policy

See dairy products policy section at the end of this report.

### NON-FAT DRY MILK (NFDM)

#### Production

CONASUPO is virtually the only importer/supplier of milk powder in Mexico, reselling to the private sector via a quota system. A small additional amount is accounted for by manufacturers of infant formulas. Approximately 60 percent of all imported milk powder is reconstituted and sold at subsidized prices by LICONSA under the Mexican government's social program to primary schools and the poor through special sales outlets located in cities throughout the country.

The NFDM output for MY2002 is forecast upward by 7.1 percent over the previous years estimate due to an expected increase in the availability of fluid milk supplies of which a certain percentage will go into the processing of milk powders to satisfy the expected increase in usage from private processors and LICONSA for the government's social program. The production estimate for MY2001 is expected to remain unchanged from our previous estimate. The NFDM production estimate for MY2000 is revised upward to reflect final data from the Mexican Dairy

Association and government.

### Consumption

The consumption forecast of NFDM for MY2002 is estimated upward by 0.7 percent from the previous year's estimate due to an expected usage increase by industry and LICONSA for their social program of distributing subsidized reconstituted milk to the poor. NFDM consumption for MY2001 remains unchanged from our previous estimate. MY2000 is revised slightly upward to reflect final data from the Mexican Dairy Association and government.

### Stocks

Stocks of NFDM for MY2002 are forecast slightly downward from the previous year's estimate reflecting slightly higher consumption. Stocks for MY2001 remain unchanged from our previous estimate. Stocks for MY2000 also remain unchanged from the previous estimate reflecting final data from the Mexican Dairy Association and current statistics from LICONSA.

### Trade

Mexico continues to be far from reaching self-sufficiency in NFDM production because of limited domestic processing capacity. Due to population growth it is expected that LICONSA will slightly improve current distribution levels of subsidized rehydrated milk to social programs for lower-income consumers. For MY2002, the NFDM import forecast has been increased from the previous year's unchanged estimate due to limited growth of domestic production of NFDM. Imports for MY2000 are revised downward to reflect final data from the Mexican Dairy Association and government.

### Policy

See dairy products policy section at the end of this report.

## WHOLE MILK POWDER (WMP)

### Production

Production data for WMP is not available, as official sources combine production figures of NFDM and WMP. Selected processors, including dairy cooperatives, are attempting to increase WMP production to absorb seasonal oversupplies of fluid milk, however, due to limited processing facilities, Mexico will still have to complement domestic production with imports.

### Consumption

The WMP consumption forecast for MY2002 remains unchanged from the previous year's estimate as fluid milk becomes more readily available. Also, in MY2001 and MY2000 consumption of WMP remains unchanged from our previous estimates much for the same reason as above. According to LICONSA, about 60 percent of the WMP and NFDM is consumed by



lower-income consumers. LICONSA foresees opening only a few new milk stores in the future since many families from the lower-income population are resorting to buying "milk type drinks" made with whey and lactic powders or are now able to purchase fresh milk at normal commercial outlets and do not have to depend on supplies from LICONSA.

## Trade

It is expected that Mexico will continue to import certain amounts of WMP in the short term because Mexico still needs to supplement domestic production with external supplies as domestic production is insufficient. Imports of WMP for MY2002 are forecast to remain unchanged from the previous year's unchanged estimate. Imports of WMP for MY2000 remain unchanged from our previous estimate reflecting final government data.

## Policy

See dairy products policy section at the end of this report.

## DAIRY PRODUCTS POLICY

Mexico's Secretariat of Economy (SE) on August 30, 2001, announced in the "*Diario Oficial*" (Federal Register) the application of a new tariff of 7 percent on all milk powder imports originating from WTO countries. Mexican customs will collect the new tax on all imports of milk powder over the WTO yearly quota of 80,000 MT. Importers will have to pay the new 7 percent duty in addition to the TRQ quota "cupos". The new tariff went into effect on August 29, 2001, but does not affect NAFTA members, only WTO countries. Regardless of the effect this new tariff has on EU exports of milk powder to Mexico, U.S. exporters stand to gain more market share not only because of this new tariff application but also because of the BSE and HMD emergency measures and sanitary requirements imposed on animal product imports from several European countries.

Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuff (SAGARPA) on April 5, 2001, announced in the "*Diario Oficial*" (Federal Register) the official resolution to establish emergency measures to prevent the introduction of hoof and mouth disease (HMD) into Mexico as a result of recent outbreaks occurring in several countries around the world. This official resolution and emergency measures are in addition to all other sanitary requirements established by SAGARPA's department of animal health. SAGARPA's Import Protocols ("*Hojas de Requisitos*") for imports may be altered upon necessity to conform with the modifications concerning changes in the status of HMD in the different regions and or countries of the world.

Mexico's animal health authorities will ensure that careful preventive measures will be taken to prevent HMD from entering Mexico. Care and inspections will be intensified at border crossing points, ports and airports to prohibit imports of animals and products that could potentially carry the virus from infected countries and other countries suspected of being infected.

Effective August 21, 2001, Mexico is requiring the following certification statements for milk and milk products, meat products and by-products, and meat and bone meal of ruminant (cow, sheep, goats, deer, etc.) origin:

"The animals from which the product was obtained were not fed ruminant origin meat and bone meal", and

"In the country of origin, there are animal health regulations that forbid the feeding of ruminant origin meat and bone meal to ruminant animals ."

Furthermore, only dairy products which have been submitted to any of the following thermic treatments will be allowed into Mexico: 1) product heated to 132°C for more than 1 second; 2) 120°C for more than 60 seconds; 3) 115°C for more than 120 seconds; 4) 110°C for more than 180 seconds; 5) 72°C for more than 15 seconds, (only if the pH is certified to be less than 7), or where product was produced before January 4, 2001, in the UK and before February 12, 2001, in countries of continental Europe and Argentina. Hard and semi-hard cheeses which were submitted to an aging process for 60 days and made from pasteurized milk will also be allowed into Mexico.

#### DAIRY PRODUCTS MARKETING

Mexico continues to be the largest, and most rapidly growing, market for U.S. dairy product exports. Worldwide exports of dairy products to Mexico were valued at approximately US\$548 million in 2000, and the U.S. share of those exports was approximately 30 percent.

All potential exporters of dairy products to Mexico are urged to contact the US Agricultural Trade Office (ATO) in Mexico City and the US Dairy Export Council (USDEC), also in Mexico City.

The primary mission of the US Agricultural Trade Office (ATO) in Mexico City is to assist in the market development and promotion of US food and agricultural products in the Mexican market. There are a wide variety of activities and services that the ATO, along with other private sector representatives called "cooperators," make available to help develop US agricultural interests in Mexico.

The cooperator group that represents the US dairy industry in foreign markets is called the US Dairy Export Council (USDEC). The council's staff in Mexico City provides information on all aspects of US dairy products trading and use, including providing market intelligence on trade policy issues, organizing informational seminars for the Mexican trade and developing promotion and sales opportunities for US dairy products in the Mexican market. USDEC also organizes buying missions of potential Mexican importers/distributors to visit US dairy processing plants so they can meet and see, firsthand, various US suppliers and the services they offer.

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